

## Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 CIAE-00 DODE-00 PM-05 H-01 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

FBOE-00 OMB-01 TRSE-00 IGA-02 NSCE-00 SSO-00

USIE-00 INRE-00 ISO-00 /065 W

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O 170610Z AUG 77

FM USLO PEKING

TO SECSTATE WASHDC IMMEDIATE 8454

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FOR EA/PRCM AND EA/EX

E.O. 11652: N/A

TAGS: PBOR

SUBJ: FRENCH DIPLOMATIC PROPERTY IN PRC

1. SUMMARY: FRENCH EMBASSY OFFICIAL INFORMALLY RELATED TO USLO OFFICER THAT FRENCH GOVERNMENT AND PRC HAVE CONCLUDED NEGOTIATIONS OVER QUESTION OF FRENCH PROPERTY EXPROPRIATED BY PRC. END SUMMARY.

2. FOR PAST FEW WEEKS, USLO PERSONNEL HAVE HEARD RUMORS THAT FRENCH AND CHINESE OFFICIALS HAVE REACHED A MONETARY SETTLEMENT OVER QUESTION OF OFFICIAL FRENCH PROPERTY EXPROPRIATED BY PRC.

3. FRENCH OFFICER STATED THAT NEGOTIATIONS FINALLY CONCLUDED WHEN THE PRC HAD OFFERED TO MAKE, AND FRENCH HAD ACCEPTED, FINANCIAL RESTITUTION BY, "...PAYMENT IN MILLIONS OF NONCONVERTIBLE CHINESE YUAN".

4. ALTHOUGH OFFICIAL KNEW EXACT AMOUNT OF PAYMENT AND IN FACT HAD PERSONALLY RECEIVED THE YUAN CHECK FROM PRC AUTHOR-  
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ITIES, OFFICER WAS RELUCTANT TO DISCLOSE TOTAL AND FELT THAT FRENCH DID NOT WISH TO ADVERTISE AMOUNT OF SETTLEMENT. FROM TONE OF CONVERSATION, HOWEVER, USLO OFFICER GOT FEELING THAT FRENCH MAY HAVE FELT THAT BY HAVING TO RECEIVE NON-HARD CURRENCY PAYMENT, THE AMOUNT DID NOT REFLECT TRUE CURRENT WORLD VALUE OF LAND AND BUILDINGS. OFFICER DID MENTION THAT NEGOTIATIONS ENDED ON A SLIGHTLY EMBARRASS-

ING NOTE FOR THE FRENCH. THE PRC PAID TOTAL AMOUNT AGREED UPON BY ISSUANCE OF A SINGLE CHECK. AS CHECKS IN PRC BECOME STALE FIVE DAYS AFTER ISSUANCE, AND FRENCH FAILED TO NEGOTIATE CHECK, EMBASSY OFFICIAL HAD TO APPROACH PRC FOR A REPLACEMENT CHECK. PRC ISSUED NEW CHECK WHICH OFFICER IMMEDIATELY PLACED IN EMBASSY'S LOCAL BANK ACCOUNT. PROCEEDS WILL BE USED TO PAY RENTS, DAY-TO DAY OPERATIONS AND SALARIES OF CHINESE STAFF.

4. ALTHOUGH OFFICER WAS NOT IN ON THE NEGOTIATIONS, OFFICER DID OFFER SEVERAL COMMENTS: (A) THE FRENCH/PRC DISCUSSIONS HAD BEEN GOING ON FOR YEARS. (B) THE FRENCH REQUESTED PERMISSION TO VISIT AND TO INSPECT ALL OF THE PIECES OF THE EX-PROPERTY PRIOR TO REACHING AN AGREEMENT UPON VALUE OF HOLDINGS. THE CHINESE TURNED DOWN THIS REQUEST, BUT COUNTERED WITH AN OFFER TO PERMIT THE FRENCH TO VISIT WHATEVER HOLDINGS WERE HERE IN PEKING. (C) THE OFFICER WAS UNDER IMPRESSION THAT THE SUBJECT OF OFFICIAL CHINESE PROPERTY WHICH MIGHT BE LOCATED IN FRANCE WAS NOT TIED TO DISCUSSIONS ON FRENCH PROPERTY IN PRC. (D) NOW THAT ISSUE OF FRENCH GOVERNMENT PROPERTY IS SETTLED, OFFICER FELT THAT THE QUESTION OF EXPRIPRIATED FRENCH PERSONAL PROPERTY IN CHINA WILL PROBABLY BE NEXT ON THE FRENCH'S NEGOTIATING AGENDA.

5. ALTHOUGH FRENCH FAILED TO VISIT EX-PROPERTIES OUTSIDE LIMITED OFFICIAL USE

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OF PEKING, OFFICER HAD IMPRESSION THAT PRC HAD NOT OCCUPIED OR UTILIZED ANY OF THE FRENCH BUILDINGS, BUT KEPT THEM LOCKED UP UNTIL SETTLEMENT WAS REACHED.

6. COMMENTS: FRENCH EXPERIENCE MIGHT EVENTUALLY BE OF ASSISTANCE WHEN U.S.'S TURN COMES TO DISCUSS U.S. GOVERNMENT PROPERTY HELD BY PRC. FOR EXAMPLE, ALTHOUGH PRC PAID OFF IN CASH FOR FRENCH PROPERTIES, THE US MIGHT OBTAIN NEGOTIATING LEVERAGE BY OFFERING TO TRADE SOME EX-PROPRIATED HOLDINGS FOR A PERMANENT DIPLOMATIC COMPOUND WITH AMPLE HOUSING. U.S. CAN, HOWEVER, EXPECT TO RECEIVE SIMILAR TREATMENT AS FRENCH RECEIVED ON QUESTION OF ON-THE-SPOT INSPECTION AND EVALUATION OF U.S. PROPERTY. IT MIGHT BE MENTIONED, HOWEVER, THAT ALTHOUGH THE DISPOSSESSED FRENCH BELIEVE THEIR EX-PROPERTY WAS NOT OCCUPIED BY PRC, THE CHINESE MOST DECIDELY UTILIZE THE OLD UNITED STATES LEGATION PROPERTY AND BUILDINGS HERE IN PEKING. THE U.S. HAS NUMEROUS HOLDINGS IN THE PRC; WITH THE SHORTAGE OF ALL KINDS OF BUILDINGS IN CHINA, IT'S DIFFICULT TO CONCEIVE THAT THE U.S. PROPERTY IS NOT BEING USED RIGHT TO THE HILT.  
WOODCOCK

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## Message Attributes

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